capable of more than one interpretation.

If Your Honor doesn't have any further questions, let me go on to the TOPRS Indentures. For purposes of Intercompany Claims, the definition of "Senior Indebtedness" in the TOPRS Indentures turns on two principles. The first is the indebtedness has to be evidenced by notes, bonds, debentures, or other securities. This definition is actually certainly different than the definitions used in 1987 Indenture or the two Loan Agreements and it is certainly, at least in Baupost/Abrams' view, more limiting, because it requires evidence of a Note/Bond Debenture and it has "or other security." The 1987 Indenture uses "other instruments" and, of course, the Loan Agreements don't have anything like that.

Then the other key aspect, and which is why we think the Enron Finance Claims and the Cherokee Claims have to come off the list, is the indebtedness has to be sold by Enron. This is somewhat of a curious definition. I don't know if I have ever seen

it in any other indenture. It is certainly not in the 1987 Indenture, but it is the language that is used in the TOPRS Indentures.

None of the Intercompany Claims for which we have objected that are remaining -- the Enron Finance Claims and the Cherokee Claims -- are ones that were sold by Enron. Contrast that to the claims of Enron Equity Corporation. We had initially objected to it, but after it was demonstrated to Baupost and Abrams that these particular claims were, in fact, sold by Enron, there was a warrant to purchase these notes that was held by Enron Equity Corporation. That is nothing like that with respect to the Enron Finance Claims or the Cherokee Claims. This language, we submit, is unambiguous and no other party with respect to the Intercompany Claims has disputed the terms as ambiguous with respect to what is meant by "sold by."

I have one other point to add, by using the terms "notes, bonds, debentures, or other securities sold by Enron," it suggests

notes, bonds, and debentures are things that will be sold into the public market. So for purposes of trying to understand whether or not this term is ambiguous or unambiguous, Baupost/Abrams submits it is unambiguous. The term is what it says, these claims have to be sold by Enron; and Enron Finance and Cherokee Claims were not.

If Your Honor doesn't have any further questions, I was going to turn to the Letter of Credit Claim?

JUDGE GONZALEZ: No. Go ahead.

MR. WINSTON: Again, each of the claims that we have objected to are claims for which Enron has an obligation to reimburse the issuer of a letter of credit. With respect to the 1987 Indenture, the 1987 expressly excludes from the definition of "indebtedness" contingent obligations in connection with the indebtedness of others. The carve-out seems to expressly state that agreements to ensure the payment of obligations of third parties are ones that are excluded from the definition of

"indebtedness." Now, if it is not indebtedness, then it can't be Senior Indebtedness. It is hard to conceive that obligations to reimburse an issuer of a letter of credit would not fall within that carve-out.

By definition, you are reimbursing a party, who has already paid somebody else, for which you have your own independent obligation. How is that not a conditional obligation to ensure the payment to a third party, is one that I can't believe there is any dispute.

Now, one argument that has not been made, but it may be made, is whether or not the 1987 Indenture measures whether an obligation is contingent on the moment the obligation is created or at some time in the future. Baupost/Abrams argues for purposes of the Letter of Credit Claims, it is measured from the date the obligation was created and there are two reasons for that.

The first point is any other result would be absurd, because any contingent

obligation will at some point in the future be non-contingent, either the contingency will pass and there is no obligation or the contingency will come to fruition and there is a liquidated obligation. Why would you have this exclusion, unless you measured the date the obligation is created?

The second point is compared to the definition of "Subsidiary." The definition of "Subsidiary" in the 1987 Indenture expressly contemplates future events, because it is certainly possible, as the 1987 Indenture points out, that voting control of one of the entities, for which we have qualified as a Subsidiary, is in the hands of third parties, but that voting power is contingent on the date the obligation was created, where in the future it may manifest itself. So that party does have voting control. For purposes of the definition of "Subsidiary," it would no longer be a subsidiary because a third party has voting power. There is nothing like that with respect to any other conditional obligations.

So for purposes of determining whether or not letters of credit reimbursement obligation are within the definition of "indebtedness" and, therefore, within the definition of "Senior Indebtedness," Baupost/Abrams submits they are clearly not.

The last point, Your Honor, with respect to the 1987 Indenture, goes to the definition of "Senior Indebtedness." As I mentioned earlier, it requires an obligation evidenced by a note, bond, or instrument for money borrowed. Under the principle of ejusdem generis, Courts look to the phrase "other instruments" in relation to bonds, debentures, and notes. A bond, debenture, or note in an unconditional promise to pay an amount of money, and an obligation to reimburse a letter of credit issuer is not an obligation to pay a fixed amount of money. It depends on the amount of the draw. So it is not like a note, bond, or debenture and, therefore, it is not an instrument and, therefore, it is Non-Senior Indebtedness.

The last point or the last part of my argument goes to the TOPRS Indentures, and I think this one is the easiest of all of them. In order to cause Senior Indebtedness, as I mentioned earlier, an obligation must be evidenced by note, bond, debenture, or other security and has to be sold by Enron. Obligations to reimburse letter of credit issuers are not notes, bonds, debentures, or other securities. It is even more narrow than the 1987 Indenture, and they are not obligations for which Enron sold anything. It is a contractual agreement to reimburse somebody. That is not an obligation to sell.

Unless Your Honor has any further questions, I have finished my presentation.

JUDGE GONZALEZ: No. I don't at this time.

MR. WINSTON: Thank you, Your Honor.

JUDGE GONZALEZ: I assume you are rising for John Hancock? Is that right, Mr. Wiles?

MR. WILES: Yes.

Proceedings

JUDGE GONZALEZ: And who else?

MS. REID: Your Honor, Sarah Reid for JPMorgan Chase.

MS. KRIEGER: And Arlene Krieger from Stroock on behalf of Bayerische Hypo-Und Vereinsbank.

MS. CATON: And Amy Caton from Kramer Levin on behalf of the Choctaw/Zephyrus Holders, each on behalf of themselves and certain managed funds and accounts.

JUDGE GONZALEZ: We will commence with the one closest to the microphone.

MR. WILES: Thank you, Your Honor. I guess the race is to the swift.

JUDGE GONZALEZ: Please speak louder though, please.

MR. WILES: Michael Wiles for John Hancock Life Insurance Company.

Your Honor, we do not have a letter of credit issue. We only have an issue as to the treatment of notes, because John Hancock was not involved in any letters of credit. So I am not going to address any of the

letter of credit issues. They just don't affect us.

What John Hancock has is, by virtue of a settlement, it has an assignment of Enron Equity Corporation's interests in three promissory notes of approximately $107 million that were signed and executed by Enron Corporation.

Now, there are a couple of things that I would like to address. Number one, is the comment by Baupost as to what standard of review or burden of proof should apply. I will note that the cases that Baupost has cited are cases in which a creditor whose claim is being subordinated is challenging somebody else's right to force that creditor to be subordinated to that person.

In this situation, absolutely nobody whose claim is being subordinated has objected to what the Debtors have proposed in their Schedule S. The Debtor, which is a party to all of these agreements, obviously hasn't objected. In fact, the Debtors have stated that their own understanding of how

these agreements work is that the parties listed on Schedule S are entitled to the benefits of subordination. No other party who is a beneficiary of subordination has objected. You have only got Baupost, which is not a party to any of the agreements, it is not a subordinated party, and it is only one of the beneficiaries. They are the only ones that have challenged what Enron has proposed and what Enron and everybody else involved agree is the correct interpretation of these contracts.

I do not think it is right under those circumstances to say that it is everybody else's heavy burden to prove that Baupost is wrong. Quite the contrary. Baupost is not a party to these agreements. I would say the burden is on Baupost to show that for some reason, as an interloper to the contracts, as only one beneficiary, it somehow has a superior understanding to everybody else's understanding of how these agreements work. But whatever you say the burden of proof is, it doesn't really matter.

Because if you have got clear and unambiguous contract language, that satisfies any burden of proof, however you want to define it.

Now, Enron did not list the EEC Notes as being subject to the subordination under the 1987 Indenture. We did not challenge that, so that is not an issue.

As to the TOPRS Indentures, Enron did list the EEC Notes as being entitled to the benefit of that subordination. Baupost initially objected, but then has withdrawn its objection. But it is important to see what Baupost has said about that, because it actually seriously contradicts what they have said about the other Loan Agreements.

The TOPRS Indentures define "Senior Indebtedness" as meaning "all indebtedness" -- I am just going to skip over the irrelevant words here -- "all indebtedness ... evidenced by notes, debentures, bonds or other securities sold by the Company for money borrowed ..."

Now, we have produced evidence that the Enron Equity Notes were notes for money

borrowed, and that they were sold. Baupost's counsel acknowledged during oral argument that there is nothing ambiguous about that language. They acknowledged in the papers they filed, at paragraph 22 in their response that each EEC Claim is evidenced by a promissory note for money borrowed, that they were sold, and that they concede, therefore, that they are entitled to the benefits of subordination under the TOPRS Indentures.

Well, compare that to the language in the 1993 and 1994 Loan Agreements where Baupost is still challenging whether the EEC notes are entitled to subordination. The TOPRS Indentures said "all indebtedness evidenced by notes for money borrowed." The 1993 and 1994 Loan Agreements say "all indebtedness for money borrowed." The only difference is that the TOPRS Indentures impose an additional requirement -- that there be a note.

Now, if that language is unambiguous and if the EEC Claims, admittedly in Baupost's own view, are entitled to

subordination under that, I don't see how conceivably the fact that the word "notes" was dropped out in the 1993 and 1994 Loan Agreements could somehow create an ambiguity as to whether the EEC Claims are entitled to the benefits of that subordination.

When Baupost argues that there is supposedly some ambiguity in the word "indebtedness," there is no ambiguity in the word "indebtedness." What they are really saying is they are not challenging so much that this is a debt. In fact, they admitted for purposes of TOPRS Indentures that it is a debt and that it is for money borrowed. What they are really saying is that they want to argue to you that there is some ambiguity as to whether some debts are excluded, not based on whether they are debts, but on who holds them. In that regard they are not really arguing that there is anything ambiguous about the word "indebtedness." They are arguing that somehow there is something ambiguous about the fact that the loan agreements refer to "all indebtedness," and I

submit to you that there is nothing ambiguous about the word "all." All means all. If you have got no exceptions that are listed, that is what it means and you don't exclude any indebtedness just because it is held by a Subsidiary or by an affiliate.

The only argument that they have made as to whether there is any ambiguity is not based on any of the language of the contracts, it is based only on this prospectus, which in their view, because it had a consolidated financial statement, supposedly didn't include the EEC notes in describing the debts that would constitute indebtedness to which subordination would apply. That is parol evidence that you shouldn't even look to, because there is no ambiguity in the contract. But not only that, the EEC notes didn't even exist at the time that prospectus was published. They couldn't have been referred to and listed in the prospectus, because they were executed in two cases on December 30, 1994, and in one case in 1996, which is after the two Loan

Agreements in question. So how the prospectus could possibly be interpreted as saying anything about the treatment of those notes is beyond me.

"Indebtedness" is a very simple interpretation. It is in the dictionary. It says, "Something, as an amount of money, that is owed." There is no ambiguity in that, and I submit to you that their concession that we are entitled to subordination under the TOPRS Indentures ought to also end the question as to the 1993 and 1994 Loan Agreements.

Thank you, Your Honor.

JUDGE GONZALEZ: Thank you.

The next person?

MS. REID: Good morning, Your Honor. Sarah Reid from Kelley Drye & Warren appearing on behalf of JPMorgan Chase Bank, NA, as agent for the certain financing transactions known as Choctaw/Zephyrus and the Syndicated Letter of Credit Facilities, as well as appearing on its own behalf.

Your Honor, at the outset, I would like to try just briefly to focus on the law

which applies to Your Honor's analysis today in this intercreditor dispute.

Amended Schedule S, which has been proposed by the Debtors, is an analysis of who is entitled to subordination, and who is not; what is senior debt, and what is not. Under 510(a) of the Bankruptcy Code, "Any analysis of a Subordination Agreement must be interpreted purely by reference to state law." The law is well-settled in that regard.

There has been, as I am sure Your Honor is aware, litigation in this regard both in the Eleventh Circuit and in the First Circuit, culminating in the First Circuit in the Bank of New England case of last year.

So there can be no reference to anything, other than the state law, and state law without reference to Bankruptcy Rules of interpretation.

That I wanted to say at the outset, and then I wanted to just briefly reiterate the point made by John Hancock, that this is not a case which is the normal case where a

junior creditor who is being subordinated is before the Court arguing that the subordination provision should not be applied. This is a case where another in essence senior creditor is basically raising an argument essentially in order to avoid, as they would see it, some form of dilution. They are the only person before your Court. There is no junior creditor who has come to this argument today to raise the issue that the subordination has been improperly applied by the Debtors in their Amended Schedule S.

Turning to the rules of construction that are going to govern Your Honor's analysis, they are the normal fundamental state law rules of construction. These particular documents vary in terms of which state law they refer to. Some are New York and some are Texas, but the basic rules between the jurisdiction, I think, are all the same.

The proper interpretation of an unambiguous contract is a question of state law for the Court, and in order to look to

the contract, courts look to the plain meaning. That includes looking at the dictionary, if needed, for the plain and ordinary meaning of the words in a contract. A Court may only look to the four corners of the contract. It may not look outside of it. It may not look at other contracts or other extrinsic evidence in terms of its initial analysis of the contract and what it means.

Before looking to anything, a Court must make a finding that a particular term is ambiguous, and it is only at that point after finding that any extrinsic evidence can be introduced, and even then, extrinsic evidence may not be introduced to rewrite the terms of the contract, but only to explain the judicially found ambiguity. It is important, because for purposes of today's argument, the Court should disregard any citation to the prospectuses or the 10Q that Baupost has proffered. That is extrinsic evidence. It is not properly before the Court at this point in time and would only be proper if and when the Court after consideration determines

that some particular term is ambiguous. Thus, Baupost's Exhibits E, F, I, J and K are not properly before the Court at this point.

Not that I think that anything is ambiguous -- and I will get to that in a moment -- but if the Court were to find ambiguity, then under the learning from the Bank of New England court and others, basically you would have a period of discovery where the parties would find documents and take depositions in order to attempt to determine what the correct meaning of the term is. You get into whole areas of the law as to whether it has to be objectively expressed intent versus intent that was never expressed. Most courts say that you have to have it communicated at the time.

So you have a period where discovery is taken, and then the Court has a hearing. The Court hears from whatever witnesses there are, looks at the documents, and then makes a determination. As some of the cases show, in the event that after all

of that it turns out there is really nothing very helpful there, the Court then has to go back and decide it as a matter of law. So that is the kind of framework we are working in at this point.

I will now turn to the merits of each of the arguments that Baupost has advanced. Basically, the Court has to apply a common sense meaning to the words, read them as a whole, and make a determination as to what was the purpose overall of the particular provision.

I would like to do this, with Your Honor's permission, claim by claim, because I think it is easier and will ultimately go faster.

So I would like to turn first to the Cherokee Claim, which is claim number 1132, Exhibit B to our response to the Objection. That claim has been settled. The Settlement Agreement is also attached to our Objection as Exhibit A. It has been allowed. It is a claim that is premised on Enron's guaranty of an ENA Note, which was then

assigned to JPMorgan, as agent for the Choctaw Lenders.

Baupost had initially challenged the Cherokee Claim under the 1987 Indenture. It has withdrawn its objection, because it has conceded that Cherokee was a "Non-Controlled Subsidiary," as that terms is defined in the 1987 Indenture.

So we will come back to the 1987 Indenture with EFP. I am going to contrast that with Cherokee, but I just wanted to bring that out at this point.

So basically we turn to the TOPRS Indentures, which Baupost has annexed, and it is Exhibits C and D's relevant language. We turn to the definition of a "Senior Indebtedness," which is on page 6 of at least the 1997 Indenture, and they are virtually the same in both.

If you look at the definition of "Senior Indebtedness" in the TOPRS Indentures, it really is a very broad definition when you read it as an entirety. Senior Indebtedness means the principle of,

premium, of any, and interest on and any other payment due pursuant to any of the following, whether outstanding now or hereafter created: all indebtedness of the Company (other than for trade creditors) evidenced by notes, debentures, bonds, or other securities sold by the Company for money borrowed and capitalized lease obligations.

Then it goes on and says, all indebtedness of others of the kinds described in the preceding clause (i) assumed or guaranteed in any manner by the Company. That is exactly our situation. We have a note, an ENA note, guaranteed by the Company. It is clearly debt. It is a note and it is -- let me finish the definition -- not explicitly subordinated by its terms. That is the final piece of the Senior Indebtedness definition in TOPRS.

So, basically, the way this works is, unless you are a trade creditor or unless you were explicitly subordinated, your Senior Indebtedness under the TOPRS' Senior

Indebtedness definition.

Now, to me, reading it as a whole, it couldn't be clearer what this indenture was trying to do. But Baupost's argument is, as I understand it, as follows: "No. What this indenture really means is something much more limited." They want to take this clause modifying "other securities," which says "sold by the Company" and apply it back to notes and debentures and make a requirement that a note or a debenture has to be sold. This is a non-plain, twisted meaning. Notes and debentures are clearly for money borrowed. They are clearly debt. It is completely atypical in any indenture to require that they would be sold as some element of Senior Indebtedness. That is not something that is ordinary, at least that I have seen, and I think Mr. Winston said he hadn't seen it either.

I would point out to Your Honor, it really makes no sense, because, apparently, if you take their meaning of "sold by the Company," notes, debentures, and bonds have

to be sold by the Company and the capitalized lease obligations wouldn't. It makes no sense because in the case of other securities, you can have an instance -- in fact, many instances -- where they are not sold for money borrowed. They are sold as equity. They are sold as common stock. They are sold as preferred. So what this is attempting to do is capture debt, but not capture any kind of an equity security interest.

I wanted to point out, because this issue really was I think most fully briefed by Baupost in its reply to which we had not filed a written response, that the ruling enunciated makes sense under the basic rules of contract construction and the rules of grammar, namely what is called the "last antecedent rule," which is simply put "ordinarily qualifying phrases are to be applied to the words immediately preceding and not extending to ones or to others more remote within the phrase."

I just cite, Your Honor, to one

case in this regard, and that, in turn, will cite you to others. It is Groupo Condumex v. SPX Corp., 163 F.Supp.2d 857 at 861. It is a federal case from the Northern District of Ohio. There are other cases like that, but I thought that one was particularly helpful in terms of its talking to the fact that you have to look at what makes sense within the clause and that ordinarily you look to what is immediately preceding, rather than try and import it back to more remote phrases.

The other point that Baupost has made with regard to Cherokee references to the various prospectuses. As I have already pointed out, that is extrinsic evidence. It is not properly before the Court. The Court would have to make a finding that the definition of "Senior Indebtedness" is somehow ambiguous before any such evidence would be proffered, and then it could only be proffered in the context of a hearing.

These prospectuses speak to nothing. This debt wasn't incurred. There is no way of knowing what would or wouldn't

have been entered on the financial statements and what probative value it would have. It is just simply not an appropriate citation or evidence for the Court to consider at this point in the proceedings.

Let me turn briefly in terms of the Cherokee Claims to the 1993 and 1994 Loan Agreements. Again, the term here is extremely broad and even, I think, the broadest of all of the ones that we are looking at. The term "Senior Indebtedness" means the principal, premium, and interest on all indebtedness of Enron, whether outstanding at the date hereof or hereafter created for money borrowed or evidenced by a note or similar instrument. Then it goes on, any indebtedness of others of the kinds described above, payment for which Enron is responsible, as a guarantor.

The Cherokee Claim falls squarely under this definition. It is Enron's guaranty of a note and, as such, it could not be clearer that it has properly been classified as Senior Indebtedness.

Baupost's argument that because there is no definition of the word "indebtedness", it must necessarily be ambiguous, I think, would stand contract interpretation on its head. Many contracts have words used. We all understand what they mean. "Indebtedness" means money owing. It is a debt of some sort. This particular, very broad definition makes it clear that it is trying to encompass as much debt as possible. There is nothing that this Court could or should do in making any kind of finding that this is anything other than ambiguous. You can imagine what the hearing would be like on what is indebtedness in general? This is not a term that Your Honor needs evidence on in order to reach its plain and undisputed meaning.

So under all of these circumstances, the Court need look no further. The Cherokee Claim was properly included on Amended Scheduled S.

I would like to turn now to claim number 1126. That is Exhibit C to our paper.

That is the EFP Claims, Class 185 and Class 4. The Class 185 claim is like Cherokee -- a claim based on Enron's guaranty of an ENA note. The Class 4 is a direct claim against Enron through a Demand Promissory Note. Both are, again, assigned to JPMC, as agent for the Zephyrus Lenders.

In this case, let's start with the 1987 Indenture, and I just want to go to the way the 1987 Indenture is set up. It, unlike the TOPRS Indentures, has a definition of "Senior Indebtedness" and a definition of "indebtedness" itself.

Basically the Baupost argument is not that these claims do not meet the definitions of "Senior Indebtedness" and "indebtedness," but what they basically argue is that you have to carve out what would otherwise be properly classified as senior debt, because it is held allegedly by a Subsidiary. That exception is in the "Senior Indebtedness" definition at the very end, where it says that indebtedness of a Company to a "Subsidiary" defined term is excluded.

Baupost's argument with regard to this starts with the premise that the Court has to ignore the indenture's own definition of "Subsidiary" and "corporation." I just want to read those to you. I should say at the outset, EFP is not a corporation. Everybody agrees to that. It is a limited liability company. So it is not, unlike Cherokee, a corporation.

The definition of "Subsidiary" says "Subsidiary" means a corporation all of the voting shares ... of which shall be owned by the Company or by one or more Subsidiaries." It basically explicitly references that you have to exclude shares "entitled to vote only upon the happening of some contingency unless such contingency shall have happened. Everybody agrees that the contingency did happen." EFP was not controlled by Enron from the point of the petition through the settlement. I think the only dispute on that occurs at the point that you actually have distribution.

The point that Baupost doesn't

raise to Your Honor, and which I think is interesting, page 3 of the indenture defines what a corporation includes, and it says: "A corporation includes corporations, voluntary associations, joint stock companies, and business trusts." So that is it. It doesn't include limited liability companies. This exclusion doesn't apply. There is no need to take evidence or look into anything further. There is nothing ambiguous about this. You have basically the Senior Indebtedness exclusion. It refers to what a Subsidiary is. It says a Subsidiary means a corporation, and the indenture tells you what a corporation is. EFP is not a corporation and, accordingly, that should be the end of the inquiry.

Now, I will just take a moment on it, because I really do think the document is so clear that we don't need to spend a lot of time on it. But basically Baupost's argument is: "Look, we want this Court to ignore the fact that EFP is not a corporation and pretend it is a corporation for purposes of

this analysis, and now we want to say that as a result of the settlement in the Choctaw/Zephyrus case, where we concede Choctaw, which really was a corporation, continues and is entitled to the benefit of Senior Indebtedness, even though there was this settlement, now we want to say because EFP had a different corporate form and ended up redeeming its shares, somehow that means it is now disqualified and it should no longer be allowed to have Senior Indebtedness." It is an Alice in Wonderland argument, because it is basically asking the Court to ignore the indenture's own structure and pretend it is a corporation when it is to Baupost's benefit. Then when, all of a sudden, you get to the point and you say, "Well, because it is a limited liability company and because we had to deal with it differently in order to effect the same result that we effected in Cherokee, now suddenly it is not entitled to be a senior listed on Amended Schedule S."

That is clearly not what anybody

thought or intended with the settlement. The Court doesn't need to get into all of it, because, frankly, the indenture just could not be clearer that EFP does not fall within that Subsidiary exclusion.

Let me just briefly talk about Claim 4 of EFP, which Mr. Winston mentioned. The ECIC Note, which was the direct obligation of Enron, was part of an integrated financing transaction that occurred all on the same day. The note was entered into and immediately assigned to EFP where it was held and listed as credit protection for the Zephyrus entities. The reason it was contributed was as credit protection. It has been filed and prosecuted, as EFP was the holder. At this point to now argue that it is really ECIC's obligation and that that somehow makes it subject to the exclusion ignores the reality that this is debt. It was security. It was credit protection. It was part of a simultaneous financing. It has been filed as part of EFP's proof of claim. It has been

allowed as such, and the whole way the bankruptcy has dealt with this has been as an EFP claim.

Just briefly, we turn to the TOPRS Indentures. The analysis is the same as what I have already gone through with Your Honor on Cherokee. EFP Class 185 has a note guaranteed by Enron, clearly Senior Indebtedness. There is no requirement. It has to be sold, under the terms of the definition of "Senior Indebtedness." It basically is clearly debt which is entitled to such classification. EFP Class 4 is a direct note against Enron and it falls under the first part of the definition and, accordingly, is clearly senior debt under the TOPRS Indentures.

In 1993 and 1994, again, the same analysis as what I went through with Cherokee. Given the very broad definition, you either have a direct obligation in clause 1 of the EFP 4 Claim or you have a guaranty, similar to Cherokee, with the EFP 185 Claim.

Let me turn finally to the Letter

of Credit Claims. Baupost makes no argument that vis-a-vis the 1993 and 1994 Loan Agreements that these are not senior and essentially concedes that they are. It is only vis-a-vis the 1987 Indenture and the TOPRS Indentures that they make an argument.

At the outset, I just want to briefly talk about what a reimbursement agreement is. It is annexed to our lengthy and bulky Objection. At Exhibit G is the Letter of Credit Reimbursement Agreement in the amount of $500 million, May 14, 2001. Exhibit H is the Master Letter of Credit and Reimbursement Agreement, as of June 16, 1995.

It is interesting that both of these Reimbursement Agreements are a direct obligation between Enron Corporation and the Bank, as agent -- that is in Exhibit G, because it was a syndicated facility -- or just the Bank alone under the Bilateral Master Agreement.

A Reimbursement Agreement is a direct contractual obligation of Enron and is similar to a revolving credit line. It is